

## Message Text

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43

ACTION EUR-12

INFO OCT-01 AF-06 ISO-00 PM-04 NSC-05 SP-02 SS-15 CIAE-00

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P R 051633Z MAR 76

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC PRIORITY 9036

INFO AMEMBASSY PARIS

AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY PRETORIA

AMCONSUL TORONTO

AMCONSUL WINNIPEG

UNCLAS OTTAWA 0916

PASS AGRICULTURE FAS AND ERS

E.O. 11652: N/A

TAGS: EMIN, CA

SUBJ: SASKATCHEWAN PREMIER BLAKENEY SPEECH ON POTASH

1. FOLLOWING IS SUMMARY OF MAJOR POINTS MADE BY  
SASKATCHEWAN PREMIER BLAKENEY IN SPEECH TO ANNUAL MEETING  
OF CANADIAN FERTILIZER INSTITUTE IN OTTAWA ON MARCH 4:

A. GOVERNMENT OF SASKATCHEWAN IS DETERMINED TO CARRY  
THROUGH ON ITS PLANS ANNOUNCED LAST NOVEMBER TO ACQUIRE  
50 PERCENT OR MORE OF THE POTASH INDUSTRY, WHICH ACCOUNTS  
FOR 40 PERCENT OF WORLD PRODUCTION.

B. SASKATCHEWAN HAS TWO OBJECTIVES IN THIS ACTION:

1. TO OBTAIN FOR THE PEOPLE OF SASKATCHEWAN NOW AND  
IN THE FUTURE A FAIR AND SECURE SHARE OF THEIR POTASH  
RESOURCES; AND

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2. TO ASSURE A FAIR AND SECURE SHARE OF THE GROWING WORLD MARKET FOR POTASH.

C. THE PROVINCIAL GOVERNMENT TRIED FAIR AND SQUARE TO SECURE THE ABOVE OBJECTIVES THROUGH TAXATION AND REGULATION OF THE INDUSTRY, BUT ITS BEST EFFORTS WERE FRUSTRATED BY THE INDUSTRY, AND SASKATCHEWAN HAS FOUND ITSELF UNABLE TO EXPAND PRODUCTION IN A QUICK AND ORDERLY MANNER. (ON THIS POINT, PREMIER BLAKENEY NOTED THE MORAL OBLIGATION OF CANADA, AND INDEED NORTH AMERICA, TO DO ALL THAT IS NECESSARY IN THE AGRICULTURAL SECTOR TO MEET WORLD FOOD NEEDS AND NOT RPT NOT TO CREATE AND USE "AGRI-POWER" TO COMBAT OPEC'S "PETRO-POWER".)

D. THE NEXT STEP, ACCORDING TO BLAKENEY, IS TO EFFECT PROVINCIAL OWNERSHIP OF POTASH PRODUCTIVE CAPACITY EITHER BY ACQUIRING EXISTING MINES, ACQUIRING NEW MINES, AND/OR ENTERING INTO JOINT VENTURES. HE DECLARED THAT HIS GOVERNMENT WAS FLEXIBLE ON THE MIX AND PROPORTION OF THESE AVENUES TO PUBLIC OWNERSHIP, BUT THE END RESULT MUST BE AN OVERALL OWNERSHIP OF AT LEAST 50 PERCENT OF THE POTASH RESOURCE.

E. WITH REGARD TO EXISTING MINES, SASKATCHEWAN WOULD PREFER TO BUY RATHER THAN EXPROPRIATE, BUT, IF NEGOTIATIONS WITH FIRMS FAIL, THE NECESSARY LEGISLATION IS IN PLACE (AS OF END OF JANUARY 1976) TO PROVIDE FOR FAIR MARKET VALUATION OF ASSETS AND ARBITRATION PROCEDURES LEADING TO PROVINCIAL TAKE-OVER.

F. GIVEN THE FACT THAT 65 TO 70 PERCENT OF U.S. POTASH COMES FROM SASKATCHEWAN, THE CONCERN OF THE U.S. ABOUT THE PROVINCIAL ACTION IS UNDERSTANDABLE. HOWEVER, BLAKENEY SAID HE ASSURES U.S. FARMERS OF ORDERLY MARKETING ARRANGEMENTS AT REASONABLE PRICES. THE U.S., HE CONTINUED, SHOULD HAVE NO FEAR OF AN OPEC-TYPE CARTEL, IF FOR NO OTHER UNCLASSIFIED

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REASONS THAN THAT SASKATCHEWAN'S POTASH IS NOT RPT NOT A DEPLETING RESOURCE AND SASKATCHEWAN'S MARKET POSITION IS NOT RPT NOT "COMMANDING." HE ALSO NOTED THAT 75,000 SASKATCHEWAN FARMERS ARE DEPENDENTS ON IMPORTS OF PHOSPHATES FROM THE U.S.

G. BLAKENEY STRONGLY DEFENDED SASKATCHEWAN'S ABILITY TO MANAGE THE POTASH INDUSTRY ONCE OWNERSHIP

IS EFFECTED. IN THE FIRST INSTANCE, HE SUGGESTED THE LIKELY POSSIBILITY THAT EXISTING PRIVATE COMPANY MARKETING CHANNELS IN BOTH CANADA AND THE UNITED STATES WOULD CONTINUE TO BE USED, IF THE COMPANIES WERE AGREEABLE TO CONTINUING SUCH ARRANGEMENTS. IN OFF-SHORE MARKETS, HOWEVER, HE SUGGESTED THAT THE PRESENTLY "DISINTEGRATED" CANPOTEX ORGANIZATION (AN OFF-SHORE MARKETING AGENCY FORMED BY PRODUCERS AT THE REQUEST OF THE SASKATCHEWAN GOVERNMENT), OR SOMETHING SIMILAR, MIGHT BE REVIVED TO COMPETE IN WORLD MARKETS WITH SOVIET, EAST GERMANY, FRENCH AND GERMAN TRADING ORGANIZATIONS. IN THIS CONNECTION, BLAKENEY TOOK A VERBAL SWIPE AT THE U.S. JUSTICE AND STATE DEPARTMENTS FOR HAVING APPLIED U.S. ANTI-TRUST LAWS EXTRA-TERRITORIALY TO BLOCK CANPOTEX POTASH MARKETING EFFORTS IN ASIA SEVERAL YEARS BACK.

2. IN ANSWERING QUESTIONS FROM COURTEOUS BUT UNSYMPATHETIC INSTITUTE MEMBERSHIP, BLAKENEY INDICATED CURRENT NEGOTIATIONS WITH SEVERAL UNNAMED POTASH PRODUCERS AND EXPECTATION THAT SASKATCHEWAN WOULD BE IN THE POTASH BUSINESS WITHIN A MATTER OF A FEW MONTHS. THE PROVINCIAL GOVERNMENT'S TIME FRAME FOR ACQUIRING AT LEAST 50 PERCENT OF THE POTASH BUSINESS, HE SAID, WAS 6 TO 18 MONTHS FROM NOV 1975 WHEN PLAN WAS ANNOUNCED. HE ALSO SAID HIS GOVERNMENT HAD NOT "NOTED" ANY FALL-OFF IN INVESTOR INTEREST IN SASKATCHEWAN DUE TO THE POTASH PLANS.

3. WHEN ASKED IF THE PROVINCIAL LEGISLATURE MIGHT REVERSE HIS POTASH POLICY IN TWO OR THREE YEARS WHEN HIS GOVERNMENT MIGHT BE OUT OF POWER AND INVITE PRIVATE OWNERSHIP BACK, BLAKENEY ACKNOWLEDGED THAT SUCH ACTION WAS POSSIBLE. HE POINTED OUT, HOWEVER, THAT THE ENTIRE

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SASKATCHEWAN POTASH INDUSTRY IS BASICALLY OWNED BY NON-CANADIANS LIVING OUTSIDE THE PROVINCE AND THE PEOPLE OF SASKATCHEWAN DO NOT WANT NON-CANADIANS IN BUSINESS IN THE PROVINCE. ENDERS

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